HIGHER PRODUCTION

BY A BONUS ON NATIONAL OUTPUT

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A PROPOSAL FOR A MINIMUM INCOME FOR ALL VARYING WITH NATIONAL PRODUCTIVITY

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PREFACE

THE following pages are addressed to those who already see the necessity of higher production, and who realize that this cannot be obtained without the co-operation of all classes. The Prime Minister went very near the root of the matter when he told the National Industrial Conference of 1919 that we need higher production in order that a higher standard of living may be available for every one, but that we shall not get this higher production until (1) every person willing to work is secure against starvation during unemployment, and (2) until it is made absolutely clear, in some way that every one can appreciate, that higher production will be shared by all classes.

The simple concrete suggestion outlined in the following pages is put forward in the hope that it will lead to a solution which satisfies these two essential conditions. The subject is not dealt with exhaustively, and

all speculations on justice and ethics have intentionally been eliminated, so that the proposal put forward may be considered *solely on its merits as a business proposition.*

It will have to face the fire of necessary criticism which meets all new proposals, but those who decide that it is neither feasible nor contains the germ of any feasible solution are bound to show that there is an alternative and better method of meeting the undoubted difficulties of a complex and vital problem.

The following pages have been written to elucidate a set of principles and to examine the probable effects of applying them in Great Britain now. It has therefore been simplest to assume the National Output-sharing as taking place on a single fixed basis such as may be finally suitable, whereas in practice a much lower basis would be tried first. Thus 20 per cent. has been spoken of all through, although 10 per cent. might be a better basis for beginning and would be sufficient for a test of all the main principles.

D. M.

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Higher Production

CHAPTER I

PROBLEMS OF PRODUCTION

IN approaching the problem of how to increase production, we have three main agents to consider: Nature, Man, and the accumulated product of their past activities —commonly thought of as Capital. Of course money capital is not real capital, but it controls who shall have and use the machinery, buildings, and other real capital, all of which are essential to efficient production. The proposal put forward in Chapter II has nothing to offer on the subject of Nature's provision (i.e. raw materials), nor will this treatise concern itself in any way with the present ownership of capital, or with any other considerations of ethics or justice, except where these directly affect the amount of energy to be expected from the Human element.

Thus by discarding the discussion of Nature and Capital we are left with the problem of showing how the Human Activity element may be encouraged to the best advantage. Even this is still a vast problem, and calls for very diverse treatment. No one scheme will take us very far, but it is the object of this treatise to examine in some detail the effects to be expected from the one particular scheme known as the Minimum Income proposal. The effects cannot be definite or demonstrable, but it may be possible to form an opinion of certain broad tendencies which will result. These tendencies can only alter the amount of production through their effect on the capability, willingness, number, and freedom from restrictions of those at work. It is under these four chief heads that the problem will be examined :—

1. *Capability to Work Efficiently.*

(See Chapter III.)

Under the head of capability come all such considerations as proper provision for the health of workers, their education, the removal of all unnecessary causes of worry,

proper opportunities for choice of occupation, etc.

Some indications are given of the way this scheme would affect capability, both mental and physical. Many of these benefits will take years to materialize, others will begin to take effect immediately. It is impossible with one stroke to revitalize the health of a nation in which only 36 per cent. are at present in category A1.

2. *Willingness to Co-operate.*

(See Chapter IV.)

By far the biggest immediate results are to be expected from improvements in Willingness to Work. We have depended far too much in the past on the motive of fear. Fear of poverty causes men to join Unions for mutual protection; it does not, to any large extent, cause them to desire work or to work well. The best work is all done for quite other reasons: self-interest, ambition, the desire to create, or even public spirit. All of these motives draw men forward by the desire for personal or general advancement, not by the fear of impoverishment.

Under a system in which fear is so predominant, there has grown up suspicion, bitterness, and a desperate feeling of impotence. These have so affected Labour psychology that every attempt by employers to improve conditions is imagined to be a plot to twist the newly found weapon of Industrial Action out of the hands of Labour. This suspicion can be removed only by a substantial and immediate redress of genuine grievances.

We need to develop some of that "Conscious Aim" which, during the war, called forth so much hidden energy.

Those who want to realize the pulsing power of a unified National Aim must read *From War to Work* (Samuel Turner; Nisbet, 1s. 6d.). Here it is sufficient to say that men work best when their work has meaning in it, when they feel that it makes them one with a host of others in serving some common, well-defined aim. War has often been this common binding force, for men felt as they threw down the tools that made bread and butter for themselves, that to serve (on rougher conditions) *with* others, and *for* others, towards a common goal, was somehow more attrac-

tive and made it easier to work hard. This has never yet proved an all-sufficient motive for the ordinary productive work of a whole nation, but if some of this inspiration can be added—so much the better.

This can be done, as Mr. Lloyd George said very forcibly to the National Industrial Conference 1919, by adopting some " scheme that will make it impossible that distress, at any rate, and pain, and hunger and famine, shall haunt the homes of honest people . . . and make every one feel that when prosperity comes every one will have a share in . . . the increased production."

We may not assume the possibility of creating new motives ; that would take years. But we must try to give free play to those motives which are already at work, and so avoid any break in the continuity of production.

3. *The Number at Work.*

(See Chapter V.)

The Number at Work is affected by Capability, in so far as that deals with persons wholly incapacitated, and by Willingness, where that deals with malin-

gerers and others; but it is mostly a question of co-ordination, since with the present need of commodities every available person should be at productive work. In the last analysis it is a mechanical problem rather than a human one, since a shortage of commodities and a shortage of employment cannot exist in a society whose mechanism works freely. This condition would be brought nearer by a greater regularity of markets, and by a greater mobility of labour.

4. *State Interference.*

One of the objects of the Minimum Income proposal is to simplify existing legislation, and to remove the necessity for many hampering conditions which stand in the way of free expansion of enterprise. It is not possible to deal with that side in this brief treatise, but it will be seen that in the single direction of the Maintenance of the Unfit (Chapter III) there is sufficient simplification to warrant further thought.

Secondly, it is an axiom assumed throughout this treatise that, so long as the country continues to believe in competitive industry, it should be the business of those engaged

in every industry to settle their own terms, unhampered by interference from the State. This is not possible now, because the State holds itself responsible (on behalf of the community) for the maintenance of a decent standard of living through wages. It is therefore claimed that if this is a true function of the community, then the community should take over this maintenance *qua* maintenance and not attempt to foist on employers the responsibility of paying " human " wages irrespective of the earning capacity of the recipients. (See Chapter III.)

CHAPTER II

THE SCHEME PROPOSED

WE are thus faced with the problem of trying to devise a scheme which will fulfil the double function of increasing the capability and the willingness of persons to work. These are the physical and psychological aspects of the human problem in production, and lead us directly to a consideration of the basic needs of our common humanity in order that a maximum number of persons may be physically capable and psychologically willing to perform work.

Despite the infinite complexity of the subject of human relationships, certain factors are simple, and a proper recognition of these would enormously relieve the tension with regard to the complex factors. The simplest physical factor is the need of all human beings for food and clothing; the simplest psychological factor is the longing of all human beings for a free control of

their own lives, and upon these two factors the Minimum Income is based.

The human needs of food and freedom may appear to be facts which are too obvious to form the basis of a great social improvement. Yet it is painfully true that the multiplicity of existing devices for supplying food to unsuccessful or unfortunate persons are costly and subversive of freedom. Further, they fail to achieve other advantages that could accrue from a simpler recognition of these two fundamental facts. Prevention is manifestly better than cure, so that if we can do away with the whole idea of economic destitution, we shall render unnecessary more than half of the cures offered now to persons who are short of elemental requirements, and do it in a way that gives a far greater sense of freedom.

Let us be clear that a man who is half-starved cannot work, yet under our present system he may not satisfy his hunger in freedom without work. At first sight this appears reasonable, but by advancing food on condition of future work we use duress in determining the kind of work he shall do. It is also taking him at a disadvantage as regards terms, which means

an excuse for sulkiness and inefficient service.

Of course this duress applies most correctly in the case of unorganized and destitute persons, but the conditions under which they can be forced to work have the effect of undercutting the position of those slightly better off, and in practice the economic insecurity of the wage-earner is a factor telling against him on every occasion when he is bargaining for a fair share of the products of industry. The menace to society that results from large numbers of persons being either underfed or having a sense of being underpaid but without any alternative (i.e. employed under conditions of duress) is evidenced in the crime wave that accompanies every wave of unemployment, in restrictions on output, in strike fever, and all the familiar symptoms of unrest.

The only possible way of eliminating economic destitution without putting any restrictions on the freedom of the unfortunate and unsuccessful is to ensure that every one has, independently of their earnings, a secure income—however small—and this is the Minimum Income proposal. It will extend to all classes a part of that

sense of stability now enjoyed by all who have any "invested" income, and so end our existing compulsory labour system and the unrest that always springs from the compulsion of a healthy being.

The Minimum Income is thus an attempt to secure capability for work by abolishing destitution (as to which it is new only to the extent of its simplicity) and an attempt to encourage willingness to work in an atmosphere devoid of Industrial Compulsion.

Broad Outline.

1. Probably few persons consume less than 8s. worth per week of commodities and services at present values (July 1920), whether they assist the community in the production of these commodities and services or do no work at all. For purposes of discussion, this figure has therefore been chosen as the proposed Minimum Income for every man, woman, and child in the country. This amount would be paid to everybody, without conditions, and subject to no deductions.

2. Every one is a consumer, and therefore needs provision for his or her basic needs,

whereas less than half of the population are producers in the ordinary sense. If, then, an amount equal to about one-fifth of the total production of the nation is required to meet these barest necessities, it must be levied on the producers by one channel or another. It is suggested that it should be levied at a flat rate per £ on all these producers (and on any who have incomes but do not produce). The contribution to the Minimum Income Pool thus becomes a 20 per cent. deduction at source on all incomes. It would presumably be collected by the Inland Revenue machinery.

This deduction would nominally be additional to existing taxation, but so many savings in National Expenditure would be possible that the net true deduction would be much less. In addition to this every person would receive the income as well as paying the contribution, so that the net loss is the difference of the two. Actually 87 per cent. of the population would receive more than they paid, without taking into account any savings in National Expenditure—mainly of benefit to the remaining 13 per cent. Also beyond all this is the insurance value of a small secure income to

persons in any class, and the gains in all classes by increased production.

3. There are no further legislative enactments directly involved. It is, however, vital to observe that, once the amount of the deduction has been decided upon (by estimate and qualified by experience), this 20 per cent., or equivalent figure, would be rigidly fixed. In this way the central Pool, consisting of one-fifth of every one's income, will be a variable Pool—varying with the National Income.

In addition, the National Income (or total of all incomes) is also a total of National Production (stated in terms of money), and is a customary index used by statisticians for measuring national progress. Therefore the Pool, being collected by means of a flat-rate deduction of one-fifth from all incomes, is always one-fifth of the total of all incomes (the National Income) and, similarly, always represents one-fifth of National Production.

Two definite and essential purposes are served by this single device:—

(*a*) If any alteration in the measuring value of money takes place (i.e. if prices rise or fall), then the Pool, which is approxi-

mately one-fifth of the aggregate of all price values created in a year, will keep in sufficiently exact proportion. In this way the Minimum Income, or personal share of this Pool, will purchase a standardized amount of commodities without constant fresh legislation.

(*b*) If National Production changes, then the Pool will vary in the same proportion. In this way the Minimum Income becomes a true bonus on National Output, and will secure that every individual in the country gets a share of increased national prosperity.

Smaller Points.

Before proceeding to analyse the probable effects on production, it may be as well to dispose of several smaller points inherent in the scheme, as a scheme, and apart from its main effects.

1. *Legislation Indirectly Involved.*—A great many existing State activities, intended to cover the same purposes, will no longer be needed. Most of these will atrophy without special legislation, e.g. very few persons would present themselves for workhouse

relief, still fewer would be granted the relief. This is further dealt with in the next chapter.

2. *Cost of Administration.*—The extreme simplicity of the scheme should reduce administration difficulties to a minimum. This is best seen by considering the contributors in three sections :—

a. Dividend receivers, who present no difficulty, since they already pay a standard rate at source, to which this 4s. rate would be added. This would yield about half the money.

b. Salary and wage-earners, who would have the tax deducted at source, and be given a cancelled Government stamp in proof that their money had really gone to the exchequer. Such stamps would be sold in rolls of, say, £100 each, could be cancelled by a rubber imprint automatically, and measured out by the foot. This would yield most of the remainder of the money and cover the majority of the population.

c. There remain about one and a half million shopkeepers, farmers, and other persons with undefined incomes, who present the chief difficulty, but are mostly assessed already. If this section involved a doubled Inland Revenue staff, this would only be a matter of about £4,000,000, but it is unlikely that the entire collection from all classes will reach such an amount.

On the distribution side, it is not easy to be as exact in estimating the cost, but about £2,000,000 should be an outside figure. This is roughly the cost of distributing the Health Insurance Benefits to about 14 million workers, a scheme that is in every way more complicated than the flat-rate Minimum Income. Much will depend on whether everybody insists on calling for the Minimum Income at the Post Office or Employment Exchange in person and on Monday. Probably, as with rationing, the mother will call on behalf of the family and will select a day, by experience, on which there is least congestion.

In any case, these offices, relieved of Old

Age Pensions, Health Insurance, and Unemployment confusion, will be able to tackle the work with a few additions to the staff and by the elimination of the "mixed" sub-office (in which grocery and stamps are very often sold over the same counter).

A large number of persons will undoubtedly leave the money to accumulate in the Post Office Savings Bank.

3. *The Selection of the Standard.*—No great importance is attached to the particular Pool of 20 per cent., which has merely been selected to give concrete shape to the proposal. It would yield about 8s., which has been considered altogether too small an amount for an Old Age Pension. The sum is also below the unemployment pay of 15s. per week, and even for a family of five it only represents 40s. per week, which is lower than the lowest minimum wage. Thus the figure appears to be sufficiently moderate.

Those who fear that the scheme may encourage large families, would probably prefer a modified scale, despite the complication added. One alternative is to make the allowance for children (before they leave school) about three-quarters or half the

adult sum. You then have (for a given Pool) the following relative amounts :—

ALTERNATIVE SCALES FOR COMPARISON.

	Per Week.									
	Single Person.		Child.		Married Couple.		Family of Five.		Family of Ten.	
	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.
Uniform Rate ..	8	0	8	0	16	0	40	0	80	0
Children to get three-quarters	8	8	6	6	17	4	36	10	69	4
Children to get one-half ..	9	4	4	8	18	8	32	8	56	0

This is not the place to take up such considerations, although it should be pointed out that no child could be properly maintained on such a small amount, therefore there would be no financial advantage in big families. Also it is doubtful if economic poverty has any deterrent effect at all on the least desirable births, so that the uniform scale should not tend to increase these undesirable births.

It has been argued by the same persons, in connection with different phases of the scheme, both that the sum is too large and that the sum is too small. This would

appear to be a good reason for continuing to argue from the basis chosen.

4. *The Insurance Value.*—It is, of course, impossible to state any average value that would have to be paid to an insurance company in order to secure such a fixed minimum income throughout life, but it is certain that, if an insurance company could be persuaded to take on such risks, the premium would be from £30 to £100 a year at the very least, varying with the age and other conditions of the applicant.

It is shown elsewhere that about 13 per cent. of the population will (superficially) be financial losers by this scheme. That is the arbitrary first effect of pooling any part of the National Income, but if one may make some allowance for the insurance value of this increased financial stability, then it would be correct to say that only perhaps 10 per cent. are really worse off. It will be seen later that not even 10 per cent. are losers if further considerations are allowed for.

5. *Who would Receive the Money?*—Obviously the scheme would only apply to British subjects whose permanent residence was in Britain. Foreigners would not be

admitted until fully naturalized. Irishmen would only be admitted after a qualifying residence of, say, six months (i.e. the period qualifying for a vote). Women would be the legal receivers for all children under a given age (possibly the school-leaving age). In special cases this could be varied by a local magistrate. Sick persons could leave their money to accumulate in the Post Office Savings Bank, or could sign a form empowering some one else to call on their behalf. The same applies to any others who did not wish to call weekly.

The Minimum Income would be absolutely inalienable, and free from all legal obligations. However, if a person was in any public institution where maintenance was provided free, then the institution would be entitled to the money. This applies to hospitals, workhouses, prisons, etc., but the individual would be entitled to the Minimum Income the instant he or she left the institution.

6. *Why to All?*—Because any attempt to confine the allowance to those who are unemployed penalizes those who are employed. Secondly, any attempt to confine the amount to those who desire employ-

ment, penalizes those who are unwilling to feign inability to work or otherwise impose on the Tribunals which might be set up to discriminate.

The need for a subsistence income is a continuous need, and much injury to health and steadiness of habits has resulted from it being met discontinuously. At present this need is supposed to be met by a three-fold provision :—

(*a*) *Minimum Wages*—which are an attempt to guarantee a living wage (for an assumed average family) irrespective of earning capacity. Such a proposition is economically quite unsound, because it attempts to assess an economic unit of work in terms of a humanitarian need.

(*b*) *Unemployment Pay*—given only to persons wholly without employment. This has the effect of making wages at or near the unemployment pay of no inducement to the worker, and has a tendency to augment rather than diminish unemployment. This is equally unsound, since it is tantamount to a reward for unemployment.

In both these cases the object of the community is to secure a minimum standard of living to every one willing to work—even if they are inefficient or unable to get work at all. But the need is continuous, and should be met continuously.

(c) *Casual Pay.*—In practice, however, the distinction between the unemployed and unemployable has never been successfully maintained. The failure to maintain this distinction is not all evil, since a great many unemployables are manufactured by the bad conditions in our slums, by diseases, accidents and other causes, against which it is not possible for every one to make full insurance. In fact, modern ideas go so far that were the worst proved, and the man a reprobate or criminal, we should still feed him in gaol—we no longer shoot such men.

Thus maintenance is to-day provided for every one who proves himself in need, and the only new elements in the Minimum

Income proposal are, firstly, the greater simplicity of method; secondly, the freedom allowed to the recipient; and, thirdly, the universality—by which those who are not willing to prove need may yet receive help without unwelcome publicity.

7. *Who would Control the Pool?*—The promoters of the idea have always suggested that the State should collect and distribute the money. While it is quite open to anyone to suggest that it could be distributed by a more convenient means, and that there are serious objections to any allowance being paid through the State, yet as society is at present constituted we have no other suitable organization which could conduct such a gigantic pool, which must be legally enforced, involves the knowledge of private incomes, knowledge of nationalities and other facilities, all of which are now vested in the State.

8. *The Figures Assumed.*—According to Professor Bowley and many other statisticians, the National Income in 1913 was about £2,250,000,000 per year. This figure is arrived at either by totalling all the incomes in the country or by finding the total of all production as expressed in terms

of money. The Minimum Income proposal would not apply to Ireland, so that 5 per cent. must be deducted, leaving £2,137,000,000, and one-fifth of this (or £427,000,000) would have been paid into the Minimum Income Pool. This, distributed equally among 41·7 million persons, would have meant about £10 per year each, or 4s. per week in 1913.

Professor Bowley has repeatedly refused to estimate the present National Income, which is a reminder that any estimate must be in the nature of a guess. However, we may obtain a rough idea by taking Mr. McKenna's estimate that the National Income is now about 2¼ times what it was before the war. This makes the figure for Great Britain £4,820,000,000, one-fifth of which, distributed to 42·4 million persons, gives 8s. 9d. per week per head. So that 8s. should be well within the mark.

The cost of running the scheme has been taken at under £6,000,000, and the saving on Workhouses, Health Insurance, etc., is estimated (in Chapter III) at £200,000,000. There is therefore a net distributable economy of £194,000,000, but although this represents a benefit of 1s. 9d. per week per head, it

will be a reduction of taxation, not a cash payment, and the benefit will be felt very differently in different classes.

9. *National Income.*—The question has also been raised as to whether the National Income is a sound basis on which to found the scheme. While it is recognized that this is not an exactly determined figure, yet this is hardly relevant, for by pooling a fifth of every income we shall establish a pool which is, in amount, one-fifth of the National Income, and the equal distribution of this among all the citizens of the country must provide for every one a Minimum Income, even though the amount may not be pre-determinable. The amount will also follow variations of national prosperity.

It is clear that the £194,000,000 or so received from investments abroad (Professor Bowley, *Division of the Product of Industry*, 1919) does not represent value created in this country in that year. But for the purposes of our internal distribution of incomes all that is relevant is the fact that it is available for spending by persons resident in this country.

CHAPTER III

CAPABILITY TO WORK EFFICIENTLY

Present Maintenance of the Unfit.

THE first result of the Minimum Income scheme would be to take the place of a multiplicity of maintenance schemes now consuming public money, time, and energy, in the attempt to provide for various classes of sick, aged, disabled, weak, dependent, unemployable, bereaved, under-aged, and other persons all of whom are Unfit, in the sense that they are incapable of earning a satisfactory living wage. The Minimum Income would, in a far simpler way, carry out the objects of many of these schemes and lead to the elimination of the departments and organizations concerned. Various people will wish to see various schemes abolished and others kept, but there is considerable agreement that most of the following could be reduced if not entirely dispensed with—provided the Minimum In-

come proposal was in operation. The list of such agencies of relief could be almost indefinitely multiplied, but the table shows a few examples of—

EXISTING RELIEF WHICH COULD BE REDUCED.

	Estimate for 1920. Great Britain.	Estimated Saving.
	£	£
1. Old Age Pensions	24,600,000	24,600,000
2. The Poor Law	30,000,000	24,000,000
3. Charities	28,000,000	14,000,000
4. State Health Insurance ..	23,000,000	23,000,000
5. War Pensions (to dependents)	105,000,000	45,800,000
6. Unemployment Insurance—		
Civil	10,000,000	10,000,000
Military	5,500,000	5,500,000
7. School Meals	150,000	150,000
8. Abatements to Income Tax	40,400,000	40,400,000
9. Petty Thefts, etc.	3,000,000	500,000
10. Tipping of Beggars (say) ..	—	2,000,000
11. Strikes	50,000,000	10,000,000
Total	£319,650,000	£199,950,000

Obviously the effects on these schemes would be various, e.g. charity hospitals spend about four times the amount per head that is here proposed, but even the fact of contributing one-fourth of one's keep is an important beginning.

However, much more important than the mere reduction in such expenditures is the effect it will have on the recipients. At present all these benefits (with the important exception of the proposal contained in the Majority Report on Old Age Pensions) are reserved for those who prove themselves to be necessitous.

This has the effect of definitely encouraging pauper tendencies, by penalizing independence. Nowhere is this seen more clearly than in the original Old Age Pension scheme and in the Out-of-Work Donation. In the former, a man earning more than 8s. had 1s. deducted from his 5s. pension for every 1s. earned; with the obvious result that no one attempted to earn more than 8s., unless he could earn a good deal more than the combined amount of 13s. There were deductions on account of other sources of income, and in practice the seventieth birthday was regarded as the signal to quit any attempt at work—because it brought no addition to income.

The Out-of-Work Donation is even worse, for in that case the entire amount ceases if the man or woman does any work at all. It is useless to expostulate against

the idleness of the working classes while such powerful incentives to idleness continue.

The cure suggested in the Majority Report on Old Age Pensions may seem clumsy and far-fetched, but it is the only really effective one yet put forward. The benefit which is to maintain the aged poor, must be given irrespective of poverty, i.e. to all over seventy; then any who desire to work after seventy will be encouraged by the ordinary economic reward. Similarly, if it is desired that the unemployed poor shall be encouraged to find work, the payment that is sufficient to keep them alive must be a continuous payment, continuing when they are at work.

This involves the circulation of much money from the taxpayer, via the Treasury and back again into the pockets of those at work. But this circulation is an exceedingly simple one and ensures that there is no advantage to anyone in ceasing work.

It will be seen that while, as at present, the weak, sick, aged, or unemployed continue to be maintained at a level not much below bottom wages (but by methods which make wages an alternative instead of an

addition), the improvement in income by working is so small as to constitute a negligible inducement to become self-supporting. Whereas if *all* persons were in receipt of a basic existence income, to which wages were entirely additional, then the fact of these wages being a real addition would make them a real inducement to work.

Two Charges on Industry.

The Labour Party states as one of its prime objects, the securing of a Minimum Standard of Life " to every member of the community, in good times and bad alike (and not only to the strong and able, the well-born or the fortunate)." How this can be provided for the Unfit without putting a premium on idleness is shown in the preceding chapter. It is now necessary to deal with those who look more directly to Industry for their livelihood.

The basic principle here assumed is that Industry cannot pay in wages to any worker an amount exceeding the actual product of that individual worker. If by legal enactment men may not be employed below a given rate, and if any individual cannot

create so much as this amount, there are only two courses open to Industry. Either the man cannot be employed at all, or the price charged to the consumer must be raised. This latter method simply results in the depreciation of the wage back to the same real value as before—an endless and futile circle.

Serious attempts are being made to charge on Industry (through wages) several costs which break the above principle. Two main examples are :—

1. The maintenance at minimum rates, of those unable to earn the minimum.
2. The maintenance of an assumed " average family."

These two typical cases are dealt with below, and reasons are given why these charges should be borne by the community as a whole and not by individual employers.

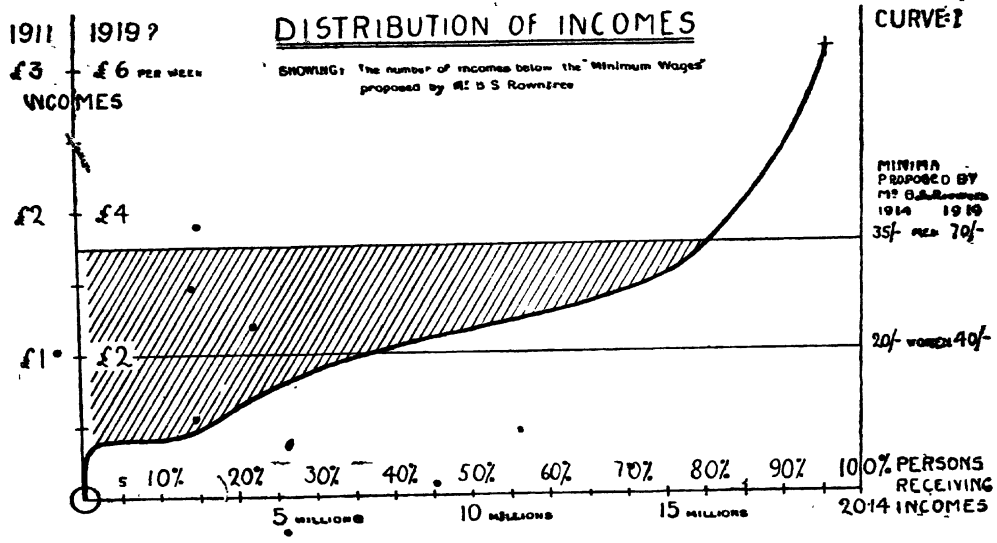
No. 1. *The Inefficient Worker.*

It would be a very thankless task to try to estimate the number of persons whose work does not produce as much as the amounts being discussed for a National

Minimum Wage. However, it will be seen from Curve I opposite that a large number are at present receiving less than the proposed minimum because they are not considered to be earning more, and if we exclude from the discussion the "occupied" 5,850,000 women (Census 1911) and all boys under twenty, we still have a large number who are not considered to be producing as much as is represented by the suggested minimum. Therefore these persons would have to be paid more than they earn, if the minimum wage were made obligatory. This is a condition which Industry cannot continue under.

As a matter of fact, whether this inefficiency is due to lack of education, physical weakness, temperaments which insist on working slowly, or to even worse causes, all these people are now being maintained, but their need of maintenance is no reason for paying a higher *wage* than is justified by their productivity. This, however, is very different from pretending that they do, when in fact they do not, earn a prescribed minimum.

Account must also be taken of men "under-employed," or transferring to new


DISTRIBUTION OF INCOMES
SHOWING: The number of incomes below the "Minimum Wages" proposed by Mr B S Rowntree
1911
1919?
£3
£6 PER WEEK
INCOMES
£2
£4
£1
£2
CURVE
MINIMA PROPOSED BY Mr B.S.Rowntree
1914 1919
35/- men 70/-
20/- women 40/-
5 10% 20% 30% 40% 50% 60% 70% 80% 90% 100% PERSONS RECEIVING INCOMES
5 MILLIONS
10 MILLIONS
15 MILLIONS
2014

work. Other sides of this question are dealt with above and in Chapter V., and it is only necessary to say here, that if the proposal now put forward is adopted, all these classes are secured against destitution, without insisting upon the impossible condition that they shall be paid in wages an amount greater than they produce.

The main features of the curve are such as would be obtained by plotting out any of the generally accepted estimates of the distribution of the National Income for 1913. I have taken the figures from *The Division of the Product of Industry*, by Professor A. L. Bowley. The Minimum line is also drawn at the level suggested by Mr. B. S. Rowntree in *The Human Needs of Labour*, but the exact figures may be selected by any one to suit his own preference.

Also to bring the curve up to date would involve several doubtful estimates, but on the whole prices are more than double. So that, if wages have doubled also, the curve remains the same shape, the scale alone being changed.

It would be rash to assume that this curve represents the true relative values of all who work, but it shows the amounts

which have been supposed to represent the "value" of labour, and I repeat that real wages cannot be raised above the true amount earned by each individual worker. Therefore if these amounts are not enough to be healthy on, it is desirable in the interests of greater production that these amounts should be increased by some other means.

If they cannot, as shown above, be a charge on Industry through wages, they must be a charge on the community by some other channel.

That this charge must be on the community as a whole is seen even more clearly by considering that prosperity, as it improves health, will benefit future generations more than the present, and in any case employers as a whole cannot be expected to invest money in wages with the object of improving health, unless they have some guarantee that these same workers will remain with them to yield back the advantage in future years.

No. 2. *The Family.*

In discussing family responsibilities and their relation to wages we have fortunately

a very concrete experiment for comparison. A recent declaration of the New South Wales Board of Trade proposed to raise the basic minimum from £3 to £3 17s. per week, making an addition to the national wages bill of £14,000,000 per annum. The Premier then proposed that, instead of making an employer pay for an assumed average family of man, wife, and two children, the minimum should be based on man and wife only. He further proposed that an additional Pool should be set up into which each employer was to pay an amount calculated to maintain one child for each employee (which is the average responsibility of all employees, counting men and women). This Pool is distributed to parents in respect of the actual number of children whom they are supporting, so that the agreed Standard of Life is secured to every family, however large. But the particular point to be noted here is that this standard of satisfaction has been achieved with an economy of £7,000,000 in the wages bill, i.e. an economy of 11 per cent. on the total wage bill of £3 17s.

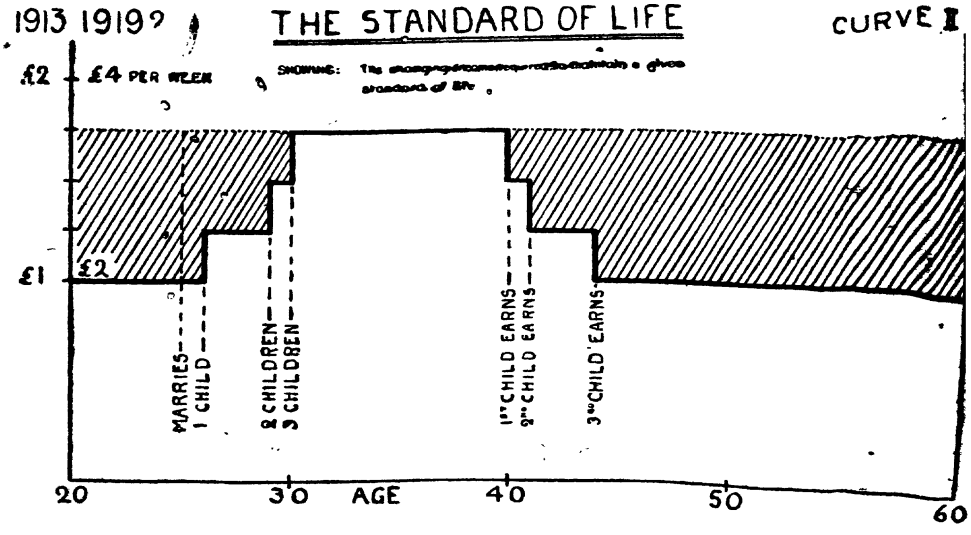
The same thing may be seen somewhat differently by considering the history of

a typical man who marries and has three children. Curve II overleaf shows very roughly the cost of living to such a man from twenty to sixty.

I have assumed, as was done in New South Wales, that a single man has to spend about as much on board and lodging as he would to maintain a wife.

The earning capacity of an unskilled labourer will remain very much the same throughout this whole period, and this capacity alone should determine his income. If he can only earn 10s. he must be paid that sum, and his welfare is a matter for consideration under Section No. 1 above; if he can earn 35s. he must be paid that amount, but if his earning capacity is 20s. it is absurd to expect an employer to pay him 35s. on the grounds that at some part of his history he may be expected to require an income that will support a family.

Granted that Industry as a whole has to find the maintenance of these children if the next generation is to be healthy, yet it is highly unsatisfactory to include in Wages the additional shaded area, on the general grounds that most men marry and have three children.


1913 1919?
THE STANDARD OF LIFE
CURVE I
£2
£4 PER WEEK
SHOWING:
£1
£2
MARRIES
1 CHILD
2 CHILDREN
3 CHILDREN
1st CHILD EARNS
2nd CHILD EARNS
3rd CHILD EARNS
20
30
AGE
40
50
60

Capability to Work Efficiently

It must not be taken that these remarks apply only to minimum rates because those have been instanced, for all rates are fixed by comparison with the minimum, and an economy in the one will be reflected in all. Nor must it be supposed that there is any assumption that present minima are satisfactory, but until production is raised there cannot be any great advance in *real* wages, even if all the higher incomes were abolished.

Summary.

We have thus considered some of the circumstances which depress a man's Standard of Life. We know that all these depressions reduce the producing capacity of the nation, and we have considered some reasons why the charges for avoiding these depressions should fall on the community as a whole in the manner suggested.

The depressions arise chiefly from two causes :—

1. An incapacity to earn, either through unfitness or under-employment.
2. By an increase in the cost of maintaining this standard, resulting from family responsibilities.

Higher Production

These irregularities are most injurious to production through their ill-effects on the following :—

1. The health and fitness of the workers themselves.
2. The fitness of their children.
3. Education.[1]
4. Steadiness of habits.
5. Fear that speed or hard work will result in under-employment.

[1] *Reconstruction Problems*, No. 10, page 13, says: "You cannot 'educate' a man whose uppermost thought is the economic 'Struggle for Existence.' Nor can a spirit of intelligent and responsible citizenship be readily developed in those whose mainspring to activity is a continual struggle for the bare necessaries of physical existence."

CHAPTER IV

WILLINGNESS TO CO-OPERATE

Removing Restrictions.

IT is an essential principle of the Minimum Income proposal that every increase in national prosperity should be shared by all. That is to say that if the total of production increases, the total of all incomes (which is exactly the same amount expressed in terms of money) will increase too, and with it the Pool consisting of one-fifth of all incomes. Therefore the Minimum Income, which is the 45 millionth share of this Pool, will increase in exact proportion.

The effect of this will be to cause every one of the 45 million people who are sharing in the Pool to be personally interested in removing all obstructions from the path of those who want to increase production. These obstructions take many forms. For instance, if a man is anxious to get on rapidly, or tries to earn a high piece wage,

his fellows at once complain or even refuse to work beside him. It is strongly denied by Trade Union leaders that there are any rules restricting or discouraging greater output, but it is none the less true that great energy makes a man unpopular with his fellow-unionists. This same spirit is seen still more prominently over the question of dilution, women's labour, disabled men returning, the application of science to management, the greater use of machinery, etc. There is not space to deal with all the arguments that lead to this attitude, but undoubtedly all kinds of influences would be set at work to combat this feeling by giving every one of the 45 million persons in the country a direct monetary interest in the cumulative product of the nation.

It cannot be too strongly emphasized that it is not claimed that the bonus on National Output would act as an inducement to individuals to try and increase their share of the great Pool. Such a claim would be absurd, since if a man doubled his efforts, only one-fifth of the extra output would go to swell the Pool, and that Pool has to be shared with 45

million other persons. No. The claim is that many individuals do now wish to increase their output, so long as it brings proportionate gain, and that these persons will work harder for the four-fifths which they will keep out of any extra wages which they earn, while their friends will encourage them, instead of obstructing, because all of them, including their friends, will be sharing the one-fifth which goes to the Pool. In other words: most incentives are calculated to compensate individuals for their own exertion—we have plenty of those incentives; but the variable Minimum Income is calculated to give free play to those existing incentives by removing the obstructions which are now put in the path of those who want to work, by those who (at present) see no advantage to themselves in the work that others do.

It ought not to be necessary to labour the point that useful work done by anyone is to the advantage of all, but unfortunately the contrary theory is so strongly held that one might almost suppose, sometimes, that if nobody worked more than one hour per day, that all our unemployment troubles would be solved! Whereas it is patent

that more work means more wages and more commodities to supply the needs of millions who want more clothes, food, and amusements than they now have. It is true that machinery and economies of labour often result in disorganization and temporary unemployment, but this is the fault of organization, not the fault of improvements. This is a strong argument for securing persons against want during unemployment caused by faulty national organization, but it is no argument for relaxing our efforts to secure the maximum of commodities and services with the minimum expenditure of human effort.

Thus we see that the chief obstacle to greater production at the present moment is not any lack of incentives to personal gain, nor failure of science or capacity of men, but the peculiar class-conscious theory that more production by one man means less work for another. Added to this are two further fears: firstly, that if the work is accomplished too soon this man himself may become unemployed; secondly, that the advantage of harder work will all go to profits.

With regard to the first of these points

any number of persons could be quoted, but I select at random a phrase purposely, written by Mr. G. E. Alway (President of the Epsom Operative Builders' Society) to show the workers' point of view, and published by the *Daily Herald* (December 15, 1919). After describing the dreaded life of uncertainty which the building operative has to contend with, he says:

> If the Government wants increased production from the building trade workers, it must make provision to ensure that when construction is completed we shall not be left to starve. Furthermore, the Government must provide insurance for loss of time owing to stress of weather.

And as to the second, as Mr. Lloyd George urged in the House of Commons on August 19, 1919, "Until we secure greater co-operation and a greater feeling on the part of the worker that the prosperity of Industry is something which concerns him, it will be difficult to induce him to give the same regard and the same sympathy to appeals for an increase in production in a particular trade."

Piece rates were invented to increase individual incentive, and were highly successful at the start. They are still successful

up to a point, but the spread of Trade Unionism and the theories that are growing with it are causing men to insist on more security against a variety of forces which depress the standard of life. One tendency has been to pay part of a wage on a time-rate basis as a security against large fluctuations in the weekly wage, often caused by circumstances not under the control of the worker. The chief weakness in this system is that if you pay a time rate that is any kind of security to a married man, it leaves such a small margin for the piece rate or bonus rate. If this margin is made up by a steep scale, greater production will actually injure the firm; and if the margin is made up by a low scale, the inducement is too low to produce the desired effects. This latter is especially true for single men, who have not the same spur to activity; it is the married men who ask for overtime.

A second tendency has come from a rather broader angle in the attempt to interest all the workers in a firm in the whole product of the firm. The early experiments in profit-sharing and copartnership have had some notable successes and also

many failures. In principle one would suppose this widening of the sphere of interest in production would have enlisted the sympathy of local Trade Unions at least. The failures seem to be due partly to imperfections in details (such as the inability of the workers to share losses), but much more to the fact that Trade Unionism is now national in its outlook, and any attempt to create a special loyalty to any one firm is regarded as an attempt to create disloyalty to the union and the rest of the working classes.

There have also been attempts to run a bonus on collective output, or actually to pay wages to groups of persons working on a single job. This is generally known as collective payment by results and is very popular with the workers in coal-mines—partly perhaps by comparison with the "butty" system which is greatly objected to. Under the system at work in the mines a gang consists usually of about six men, who are paid a lump sum for the gang and share among themselves on the basis of the hours worked.

The Ministry of Reconstruction deal fairly fully in pamphlet No. 28 with the success

of various schemes tried during the war. Their conclusion is that "there is absolutely no doubt that a bonus or division of profits in some form ultimately proves to have a real influence on the scale of output achieved. . . . It will also be found that where a number of workers engaged on a like operation are co-operative in effort and are receiving a bonus on total production, the better workers will strive to eliminate those who are inefficient and less anxious to work honestly for their wages."

The last and most successful scheme of this kind, which has been successfully experimented with by several firms, is that advanced by the Higher Production Council. The scheme was originated at Priestman's of Hull, and is generally known as the Priestman scheme. It provides for complete output sharing by all the workers in a firm, i.e. if the output of the firm is doubled as compared with the standard determined at the outset, then the wages and salaries of every person included in the scheme are doubled also. It is an important point that the growth of output is much more easily determined than the growth of profits and can be stated at shorter intervals, but

they base their main claims on two distinct further points :—

1. That every worker is absolutely certain that greater output will increase his own earnings. This is much more secure than under the piece rate, because the whole firm is publicly committed to an agreed standard output prior to the starting of the scheme.

2. That every worker knows he stands to gain by the effort of every other worker and that inefficiency anywhere in the works is a drag on every income. In short, as one Trade Union leader remarked, " It creates the desired incentive in the men to keep one another to an efficient standard of output and workmanship."

These schemes, and particularly the last, must undoubtedly contribute to the removal of the theoretical objections to greater output as such ; also it will be observed that the Priestman scheme does not in any way reduce the efficacy of existing inducements to work (such as the piece rate) ; it merely

adds two further inducements. The inducement of personal gain from harder work is slightly increased, and there is the very real positive gain, that all workers are jointly interested in joint efficiency. This latter inducement, if it exists under the individual piece-rate system, is at all events strongly denied by the workers themselves, and does not increase their activity.

The varying Minimum Income or bonus on National Output follows on in logical sequence from these tendencies. The insecurity element is eliminated still further than by the Premium Bonus. At the same time the margin left for piece payments allows really steep scales to be used, because the provision for human needs is based on the exact number depending on each income, instead of an average to bachelors and families alike. Thus the inducements possible under a piece rate are actually increased.

Secondly, while the sharing of national prosperity offers no direct inducement, it does, by the offer of personal gain to all classes, remove all those theoretical objections to greater output which are based on the idea that more output by each is an

injury to the remainder. This relation of the three types of scheme is shown in the accompanying table.

INDUCEMENTS TO WORK.

Schemes.	1 Hope of Direct Personal Gain.	2 Removal of Objection to Others Working and Co-operative Interest in Efficiency.
PIECE RATES, premium bonus, etc.	Strong	Absent
PRIESTMAN BONUS, collective payment by results, etc.	Weak	Local
BONUS ON NATIONAL OUTPUT (varying Minimum Income)	Negligible	National
If ALL THREE were in operation, the effects would be additive, thus:	*Personal Gain* Strong	*Co-operative Interest* Local and National

An Estimate of the Increase in Output.

Those who have read the wonderful compilation of facts which are set out in such a striking manner in *Eclipse or Empire* must

surely have agreed with the authors of that book that our present output per head is insignificant beside what it could be. It is not suggested that we should copy all the super-scientific management and nerve-racking "speeding up" which are among the ways adopted in America. But undoubtedly our productivity per head could be enormously increased by a greater use of power and machinery; by elimination of waste, overlapping, and non-productive work; by more standardization of component parts; and last, and most importantly, by having the co-operation of labour in helping to make all these innovations a success, in assisting dilution by unskilled and female labour, and in the hundred smaller problems that every practical employer is coming up against daily.

The Priestman scheme has enabled a few firms to overcome many of these difficulties within their own borders and has done much to establish friendly relations with local Unions, but the whole effect is only local. Even so, production has been increased by over 50 per cent. in most cases and up to 300 per cent. in one rather special case.

Willingness to Co-operate

Now if such results can be achieved in individual firms, how much more should be possible nationally! An individual firm can only exist at all so long as it is comparatively efficient, so that no new scheme can expect to make a very big difference. Whereas nationally there has been no unifying principle tending towards the elimination of national waste, overlapping, and non-productive work, so that a bonus on National Efficiency such as is provided by a varying Minimum Income (which is one way of applying the principles of the Priestman scheme nationally) should induce a far greater improvement.

An example was seen during the war of what can result from a determined effort to increase production, backed by universal agreement, and the rate of production of shells, etc., per head was increased beyond all recognition. Probably we all worked harder than would be wise as a regular thing, but war-weariness was much more a result of worry than hard work, and if we could repeat even a part of that energy for peace purposes, National Output would increase much more than 50 per cent.

Let us say, therefore, that if all classes

were willing and anxious to see national production increased, then we might hope in a very short time to reach, say, a 50 per cent. increase.

Before passing to some of the special ways in which it is possible to visualize such a unified national spirit, it should be observed that if national prosperity improves so little as 25 per cent. it would completely recoup every class for the contribution paid, and would leave the Minimum Income as a net benefit additional to incomes as they exist before the introduction of the scheme and additional to the very important savings in existing expenditure.

One of the first refinements to be introduced to make the participation a real force in the country, will be to arrange for a monthy declaration of the amount to be paid in bonus. It will not be possible to do this accurately, but no harm will come from under-estimates, as the money will be held over for a later month. The returns in respect of wages will often reach the Treasury before the deduction, as most firms will purchase their rolls of stamps (to be handed with wages as a receipt for the one-fifth deducted) in lots of at least

£100 at a time, and these must be purchased in advance.

These records of wage contributions, combined with facts on wholesale prices, unemployment and other indications of trade progress already known to the Board of Trade, would make a monthly estimate not only possible, but desirable. These estimates would involve much less responsibility than an annual declaration, and would bring home any fluctuations in production in a direct way to everybody.

Supposing, for instance, that after enjoying 8s. per week for two months, the exchequer found it necessary to reduce this amount to 7s: the effect of this would be felt in every home, every newspaper would shout it aloud, every person would be talking about it, every slacker would be a marked man.

On the other hand, all inventions, labour-saving devices, and systems are now regarded with the utmost suspicion by all but the most enlightened workers. This same suspicion extends to any one showing any desire to work really hard, and we all know the very great obstacles that are at present put in the way of anything resembling

dilution. Every etiquette of Trade Unionism, every attempt to prevent one man doing what is classified as being another man's job—all these things hamper and reduce production. They cannot all be overcome at once, but none of them will go until the interest in production is widened. The Priestman scheme gets past some of these difficulties, but give the workers, their wives, and their children, give them all an interest in national production, however small so long as it is real and personal, and all these restrictions will tend to be removed. The most unpopular thing a Labour Leader can do at present is to advocate higher production; adopt such a scheme as the varying Minimum Income, and they can unhesitatingly support the very big efforts to increase production about which they are now, for the most part, silent.

CHAPTER V

THE NUMBER AT WORK

PERHAPS nowhere is the fallacy of too much work being a bad thing for Labour seen more clearly than in the suspicion about the number of persons at work. Even our leading papers were caught in the stream, and advocated that women should retire from industry as soon as ever possible after the war. Surely it is ridiculous to preach greater production while responsible people are going about talking as if the fewer people there are in industry the better. On this count alone it would be advisable to institute some method of bringing home to every pocket, and thus to every head, that greater production means greater prosperity for all.

It may be as well to review the numbers which could be effectively drawn into industry, although, as this discussion is almost entirely confined to the immediate problem,

no attempt will be made to estimate what classes of employment may be regarded as unproductive, as is done by Mr. Macfarlane in an Appendix to *The Great Debenture.*

The history of unemployment since 1903 is perplexing, but at no time, except during the war, was it much below 3 per cent. in those trades making returns. This corresponds to about 600,000 for the whole country. These figures, however, do not include any estimate of the number of women who found during the war that they could be exceedingly useful, and many of whom have dropped out of industry without any intention of regarding themselves as unemployed. Most of these could be attracted back if the present jealousy over their employment were to be eliminated, provided suitable work exists.

In the Census of 1911 there were enumerated 800,000 men and 10,000,000 women over 15, who were not normally occupied in industry or as students. Some of these could do more productive work if there was a national desire for them to do so; for instance, all those engaged in the many charities rendered obsolete by this proposal. There are in addition all the officials con-

nected with the many institutions, etc., detailed in Chapter III.

But in order to change public opinion in this matter it is essential to interest everyone in national prosperity, and also necessary to show how industry can absorb more workers, when unemployment is still so high among those normally at work. This can be discussed most conveniently in two parts :—

1. The creation of a steady, known demand.
2. The mobility of labour.

This is not supposed to be exnaustive, but to indicate two important sides of the question : two sides, however, which will be affected by the proposal under consideration.

Steady Demand and Unemployment.

1. Quite the most difficult of all the causes of unemployment is that known as the cyclical fluctuation of trade. It comes over industry like a sleeping sickness, and there seems no escape. Some people have even gone to the extent of showing curves

in which the periods recur every eleven or fifteen years and connecting it with sun spots; others claim its recurrence yearly as a consequence of over-production. A third opinion is that it is wholly unconnected with time periods and that trade is in a constant state of unstable equilibrium, which can be upset by a change of climate in Peru or any other remote area.

Whatever the root cause, we can trace several aggravating circumstances much nearer home. If the demand for coal falls to an extent sufficient to cause unemployment in that industry, the fall in the demand for all the things which colliers buy follows. As there are a million miners, this involves a considerable wage bill, and a reduction in this soon makes itself felt in their reduced demand for the products of other industries, and so the evil spreads: each man falling out of employment causes the markets in staple commodities to weaken further. A prescience that this is beginning affects moneyed interests; the processes which normally absorb men from the shifting labour market, hesitate; credit is withheld even by small shopkeepers. This causes a slump, until at last the stocks

having run low, confidence reasserts itself and trade picks up.

Here is the strongest possible argument for ensuring that unemployment will not reduce, more than is absolutely necessary, the demand for commodities which labour can exert. Salaried persons are not usually thrown out of employment at these times; their demand continues. But manual labour, constituting about 78 per cent. of the community and more than 50 per cent. of the demand for staple goods, is almost instantly penniless. The greater amount they possess in steady income, the nearer will their demand adhere to the normal; and of course any savings or insurances which they have themselves effected will all help at such a time.

2. But there is a second feature of the same phenomenon. The extraordinary inequalities in the distribution of wealth before the war resulted in two quite distinct home markets. The one was a market for necessities absorbing nearly the whole of the wages of manual labour (i.e. 78 per cent. of the population) as well as a proportion of the incomes of the remaining 22 per cent., i.e. the non-manual population. According

to Professor Bowley, the manual population receives about 42 per cent. of the whole national income, so that if we permit the non-manual workers a slightly higher allowance for necessities, the proportion of their incomes going into this market may be put at, say, 18 per cent. of the total national income. This makes a total of 60 per cent. of the national income devoted to the purchasing of necessities and leaves 40 per cent. to be divided between the less vital commodities or luxuries and the all-important savings for capital purposes: 60 per cent. for urgent necessities, 40 per cent. for things which need not be purchased immediately.

A fall in the foreign demand will not affect salaries and larger incomes for some time, so that 18 per cent. of the market (i.e. the necessities of the richer classes) may be regarded as more or less stable and dependable. However, any upset which starts the cycle of depression soon hits the demand exercised by the manual workers (42 per cent. of the market) and spreads from trade to trade. But the suddenness of this effect is as nothing compared with the collapse of the luxury and investment

market when a slump is setting in. It is not that these commodities are gone without; their purchase is merely postponed, in the way people postponed buying at the conclusion of the war—hoping that prices would fall. This section of the market includes all those savings which would normally be invested in new enterprises and new machinery, but which are held back during a slump. This withholding of money in the luxury markets and enterprise generally, throws many out of work, reducing their demand for necessities and further increases the difficulty.

We have already seen in the previous section that the demand for necessities, exercised by the manual workers, could and should be made more stable. But it is now clear that the luxury and investment portion of the national income, which is approximately as large in amount, is liable to even worse fluctuations. The portion of this sum which is devoted to investments cannot safely be reduced, rather the contrary, but the amount devoted to luxuries should, as far as possible, be transferred to the necessity market. This will increase to the highest possible extent that market which

is dependable because concerned entirely with necessities. Obviously by securing that every one is in command of sufficient income to purchase what may be reasonably classed among necessities, we can increase the proportion of national income flowing to the staple industries and to this extent steady demand.

The irregularities in the standard of life for individuals referred to in an earlier chapter are thus seen to be reflected in the national well-being in a second way: because whole classes of individuals are depressed below a reasonable standard, others falling into poverty as these emerge, therefore the national market for staple commodities is lower than it should be and is open to unforeseeable fluctuations. And let us remember that in every factory where both markets are catered for it is the millions of cheap articles that keep the factory going, not the few expensive lines run as an advertisement among the rich. Nationally this is equally true, and the machinery and industries concerned with the ordinary necessities are the backbone of British trade.

3. Another cause of uncertainty about markets is the prospect of industrial con-

flicts. Nothing has done more to stifle enterprise than the fear that wages may rise to an extent that will upset prices, and that deliveries may be delayed. The latter is more serious in connection with foreign trade, and would be still more serious but for the uncertainties existing in other countries. But any country which can so far remove industrial unrest as to be able to quote deliveries with reasonable certainty will be in a most enviable position.

The same applies with even greater force to prices. It is impossible to book orders long in advance on the basis of prices which are subject to alteration. (Obviously the motor trade is a very special exception, but even here the orders booked abroad were badly handicapped at the Paris show in 1919.) It is unnecessary to labour the point, and if this scheme makes any contribution on this score it is a most important consideration.

The time has gone by when any dole or concession flung out to Labour as a sop will achieve anything beyond contempt. Industrial Peace can henceforward only be achieved by a genuine understanding of Labour's minimum demands. It is by no

means always clear which to select as a starting-point, but in general it is true that the demand for a minimum standard of life is recognized among all classes of Labour (and Capital). This is not only true of the five millions affiliated to the Labour Party or the Trades Union Congress or both, but is also true of those other fifteen millions who, not being attached to either organization, are less heard of and who are even more in need of our care.

In this connection it is well to say that distrust of governmental usefulness is the outcome of a vague belief that Government is, like a Foreign Power, something which acts for its own purposes and is wholly unconnected with the life of the people. The power which extremists get in exploiting this state of things to bring about the special changes which they desire is not to be wondered at, and conversely, if legislation is re-established in the common mind as something which can be depended on to safeguard basic interests, then the doctrines of extreme methods and violence will lose their power. This must not be taken to mean that progress will cease if the standard of life is guaranteed; on the

contrary, the fundamental desire for change and progress is healthy, and will continue. But there is all the difference to industry between changes which are fought for by extreme methods and changes which are mutually agreed on. The strike is admittedly an extreme weapon, and when the struggle for bare animal existence has given place to the reasonable struggle for advancement, the wild animal in man will be less in evidence and strikes will reduce to a negligible quantity.

Mobility of Labour.

1. The application of the principle of paying in wages no more than is earned by each individual is nowhere more important than in relation to the mobility of Labour. Certain other applications are dealt with earlier—they deal with the employer's point of view; in this case the question is more national.

For example, the *Labour Gazette* issued by the Board of Trade shows that an average of something like 1,500 more vacancies are reported to the Employment Exchanges daily than are filled in the same time.

These figures refer to 1917 and 1918, when employment was good and dilution proceeding rapidly. There was also a balance of some 50,000 for each month. These figures, moreover, do not cover the whole exchange of employments, and in normal times far greater use would be made of exchanges if the percentage of vacancies filled to vacancies notified could be kept higher.

But the special point to be noted is that all these people offer themselves to be re-employed at standard rates on new jobs. Now if employers have with difficulty agreed to the standard rates, they must be still more hesitant over accepting new workers to start straight off at these wages. It is of no use to-day to offer to take on new labour at low trial rates, because the men must live, and their Unions rightly insist on the hard-fought minima. But if men are secure of existence through an independent source, they can accept new work at trial rates without detriment to standard rates, and can even transfer to entirely fresh employment if for any reason the class of work they are trained to is unable to employ them.

2. This is seen in more detail in seasonal unemployment. Whole armies of men have to transfer from one occupation to another, and cannot expect to produce as much at the start. It is certainly wrong for seasonal employments to continue if they can be avoided, and probably the Minimum Income proposal will tend to cause a migration from these employments unless the wages paid are sufficient to compensate for the risks involved. However, while they do continue it is in the interests of all parties that the transition should be effected as easily and rapidly as possible.

This system of guaranteeing existence maintains the family during the necessary transition, without wasting in the formalities of securing unemployment pay, time which would be better spent in finding work; it also enables a man to fix up with temporary work at once at a low rate, trusting to make good and get a higher rate after trial. It observes the double function of permitting a firm to pay nothing more than the man earns, and of safeguarding the man against exploitation, since he is in no immediate danger of starvation.

3. The same thing is seen in what might be termed geographical unemployment, i.e. where one area has a surplus and another area a shortage of labour. At present such a shortage is not taken proper advantage of because of the risks entailed, but with a proper provision of maintenance for the family, and security against starvation in trial periods, men would flock to places where a shortage occurred, just as men who have sufficient savings flock to gold-mines in far parts of the world. A reasonable security for the family leads to enterprise of every sort.

The same kind of argument applies to daily employment and casual employment of all sorts. The permanent cure is to decasualize, the immediate cure is to safeguard the unemployed and under-employed against starvation, and thus enable them to accept new work at rates which pay to employ them. The maintenance helps to keep them fit for the next work and, because no deductions are made from this maintenance on account of employment, each job brings a return comparable with their effort, adds to their self-respect, and this in turn makes them more capable of doing useful work.

The Number at Work

All these forces will have an important effect in increasing the number at work. It is true some people are inclined to argue that the Minimum Income might put a premium on idleness, and it is of course unfortunate that it has such a strong superficial resemblance to certain schemes which, by making relief conditional on destitution or the continuance of unemployment, have necessarily put a premium on idleness and story-telling; almost as though the schemes had been expressly invented for the manufacture of slackers. However, those who have read thus far will see that there is no real resemblance, and the matter is more fully dealt with in the next chapter.



CHAPTER VI

DANGERS

ONLY four possible dangers will be discussed here, not that there are no other risks, but because these are the four chief risks affecting production. In the same way many details and discussions, of human or political interest, are excluded all through this treatise, in order to concentrate on the main subject of improved production. We therefore have to consider:

1. Will the scheme increase the number of slackers?
2. Will it cause a further upset in wage levels?
3. Will it cripple national finance?
4. Will it destroy the economic motive?

All of these points have been referred to in previous chapters, but they are of sufficient importance to justify further treatment here.

Dangers

Slackers.

1. Let it be admitted at once that there are some completely indolent persons in all classes, and a few of these will tend to slack when secure of a pittance, however small. But at the same time let us remember that there is no way imaginable of compelling willing work, which is the only efficient work. Much the most important thing to do in the elimination of slackers is to make sure that there is no advantage in being one. The country generally is soft-hearted, and if a man pleads piteously for food, he gets money despite all the warnings of scientific charitable societies and despite the knowledge, in the back of the donor's mind, that the man *may* be dishonest. This inability to select the deserving from the dishonest is not confined to the general public, for all charities, and even such carefully administered allowances as the Out-of-Work Donation, are admittedly paid to many who have no desire to work.

The only way out of the difficulty that has no loopholes is to pay an existence allowance to every one, whether they are

at work or not. Work must cease to be, as at present, a disqualification for relief.

The pamphlet on Poor Law Reform issued by the Ministry of Reconstruction emphasizes this point most carefully: "Whether from self-interest or humanity or both, it (the community) is not willing that any of its members should perish from lack of the means of living." The duty of work "involves a distinction between those who will not and those who cannot work. But in fact public sentiment has demanded that relief shall be given to all persons in need, from whatever cause such need arises; and gratuitous subsistence has accordingly been available not only to those whose need is their misfortune, but also to those whose need is their fault. The distinction between these two classes is fundamental, but the Poor Law has never succeeded in applying it."

The pamphlet goes to great pains to show how all these systems of Out-Relief have, in practice, penalized independence and thrift, because they insisted on the poverty test and refused to permit earnings to be added to the basic allowance.

Now the fundamental principle laid down by the Poor Law Commission of 1834, and

ever since adhered to, is that "the situation of the able-bodied pauper should be, really or apparently, less eligible than the situation of the independent labourer of the lowest class." But if the position of the lowest class of labourer is to be better than that of the pauper, he must have access to all the relief available for the pauper, and must be allowed to add his earnings in full proportion to his activity: it is fundamental that there must be no deductions from the relief in respect of earnings.

2. A further carefully derived opinion is that of the Department Committee on Vagrancy (reporting under the Unemployed Workmen Act, 1905). They say: "Were it not for the indiscriminate dole-giving which prevails . . . idle vagrancy, ceasing to be a profitable profession, would come to an end." This is very emphatic, and is backed by other observers, yet the connection with the Minimum Income proposal is almost too obvious to mention; who would dream of giving doles to beggars who were known to be actually receiving 8s. per week from the community?

3. The type of man who might be expected to cease work if he was receiving

8s. per week is a type of man who does exceedingly little now.

Even in the case of a family, the proposed standard is so low that it would not seem possible to live on it except to those 30 per cent. who live perpetually at or below the poverty line. In the interests of scientific production it would be advisable to remove them from industry, so that their feeble and unwilling efforts would no longer be a drag on the work of others.

4. Somewhat the same applies, though with less force, to those who work "to a standard" and reduce their efforts if the rate of remuneration is increased or subsidized. They are not attracted by high wages, therefore piece rates and premium bonus systems are useless with them. Thus the only cure would appear to be to let them drift into industries in which wages are low. The ideals of such persons are in any case incompatible with maximum production.

In this connection it is important to observe a clear distinction between the effects of introducing a Minimum Income and of raising the Minimum Wage. In the case of an increase in wage rates a flat-

rate addition is made to both bachelors and married men. This addition may carry the bachelor above his preconceived standard, but this is seldom the case with married men. Whereas the Minimum Income actually reduces the income of bachelors if they have an income of more than 40s. per week.

5. The whole force of public opinion against general slacking is bound to increase when (1) slackers will be maintained by a Pool into which every one contributes, instead of (as at present) by a few charitable persons and the wealthier taxpayers; and when (2) it is known that the amount of the Pool is dependent on the hard work of every individual in the country.

6. Every investigator of the unemployables has reported on the large addition to their numbers caused by the periods of destitution which come in the life history of so many. Every report has urged that with proper chances through life and the abolition of destitution the number of unemployables could be enormously reduced. Even while they refuse to work they must be kept fit if any desire to work is ever to be awakened, and, clearly, they must be

allowed to feel the benefit of any feeble attempts which they make to better their position.

Finally it must be remembered that, whatever may have been true in the past, it is no longer any use expecting to get men to work by compulsion or because employers say so. We have arrived at a point where legislation and public opinion alike absolutely prohibit the use of force or cruelty to get men to work, and, further, any such attempt would be absolutely ineffective. You cannot starve men to make them work; the only alternative is to educate them into a desire to work.

Men will work for themselves and their families; they will possibly work for the community, and will certainly work harder if they know their fellow-workers will not raise objections; but they will absolutely refuse to work at dictation, or, as they conceive, for the sole profit of special individuals.

Wages.

In answering the question, "Will wages rise?" it must be repeated, once more, that they cannot rise, in real values, above

the amount produced by each individual. Secondly, they cannot rise nationally to any great extent, without greater production, since an all-round rise of 30 per cent. would absorb the whole National Income.

On the other hand, the effect of the Minimum Income will be to make some wages rise, or labour will migrate from certain unpleasant and particularly arduous work to other and more congenial jobs. This is as it should be; it is wrong that work which is universally avoided as being the most unpleasant and the heaviest work, should usually be paid at correspondingly low rates. This is least true in the case of mining, where a very powerful development of unionism has enabled the workers to obtain higher rates than is ordinary for the class of skill involved. In many other trades, however, the work is equally undesirable, but, owing to a lack of organization, the rates are shockingly low.

The Minimum Income would undoubtedly cause a rise of wages in these undesired occupations, and the community would really be stepping in on behalf of the "bottom dog." However, we are not concerned with the justice of the case, and it is only neces-

sary to observe that higher wages in such occupations would, if anything, assist production. These examples are mostly to be found in ill-organized trades, and it has been found in the case of the application of Trade Boards in the removal of sweating that higher wages in such trades do not lead to higher prices of the goods, but to better methods. It is claimed, therefore, that this scheme would force the introduction of machinery in any underpaid occupations and lead to more scientific methods of production.

On the other hand, cases could probably be quoted where wages, or even salaries, are higher than is necessary to attract suitable labour, if subsistence were guaranteed. Opinions will differ as to the existence of such cases, but if such cases do exist, then the wages and salaries in those cases would fall.

Whatever the results in this direction, however, they will come about gradually and by agreement. The Minimum Income is far too small in amount to cause a sudden upheaval; it will rather create tendencies.

It might also be urged that wages are bartered for now by means of strikes, and

that this scheme would make strikes financially easier. Against this must be set the undoubted fact that funds are being less and less considered in the organization of industrial upheavals. Further, the mere existence of large strike funds (painfully accumulated, and held by men who have not always proved trustworthy) have been a considerable menace to industrial peace, both because of the holiday offered by a strike and the fear that the funds may not be safe. Probably these funds will not be so willingly subscribed when existence during a strike is, in any case, secure. Moreover, if the choice is between bargaining with revolutionary leaders of a starving mob or, on the other hand, with men who know that they can wait their time, the choice lies with the latter every time.

National Finance.

If this scheme is to be regarded as a charge of £900,000,000 per year on the National Exchequer, it is doomed before consideration: the money simply isn't there. But if, as is correct, the money is regarded as being reshuffled in order to produce

certain desired results, then, when those results have been weighed and considered, the proposal may be judged appropriately. The actual cost in public money is a negative sum; for, in order to circulate the £900,000,000, it will only involve an expenditure of, say, £6,000,000, while the savings achieved by the simplification of existing institutions will lead to economies approaching £200,000,000 per year.

So much for the cost; but as nearly 6 per cent. of the National Income will be raised from the rich and distributed among the poor, it is necessary to consider if the interests of production will be as well cared for under the new distribution.

In broad outline the figures given by Mr. H. G. Williams in the *Industrial League Journal* agree very fairly with estimates by Professor Bowley and others and are arranged in a form useful to our enquiry. He puts the National Income for 1913 at £2,296,000,000, of which 41·5 per cent. is received by those with incomes above £160 per annum, i.e. 6·3 per cent. of those with any income at all. (Professor Bowley gives 46·5 per cent. received by 4·4 per cent.) If we regard those with incomes above £160 per annum as rich,

and those below as poor, we get: that 41·5 per cent. is collected from this class and only 6·3 per cent. is distributed amongst them. If we allow for larger families among the rich (i.e. 5 persons per income as against 2·1 persons per income left dependent on the 19 million incomes exempt from income tax), we alter this latter percentage to 14·2 per cent. of the whole population, and therefore 14·2 per cent. of the distribution is to this class. If 41·5 per cent. is raised from, and 14·2 per cent. returns to, this class, the transference from rich to poor is the difference or 27·3 per cent. of the amount raised altogether for the Pool, but 27·5 per cent. of the Pool is only 5·5 per cent. of the whole National Income. It would, of course, be possible to object that rich families are not so disproportionately large as is taken here, but the alternative is to give socialists an even stronger argument for better distribution, by declaring that actually less than 14·2 per cent. are in possession of 41·5 per cent. of the whole National Income.

There is a good deal to be said for the argument that such a transference will lead to less investment in industry and more

expenditure on current needs. Probably this is so. However, when we reflect that until current needs are more fully met the health of the community will suffer, this is not all bad. Secondly, the expenditure will be almost entirely on goods manufactured in the staple industries of this country and will have an important effect on the general stability of demand, as indicated elsewhere.

In fact, it simply means that the money for capital purposes will be paid into industry through the proper medium of a demand for commodities, instead of through the speculative and undesirable channels of company promotion. Obviously if a new enterprise is worthy it had far better become the offshoot of a well-established and respectable firm than be left to be floated by persons with a purely gambling interest in the venture.

It is not as though enterprise is reduced by the certainty of a regular demand—the exact contrary is the case; it is only the speculative type of enterprise that could possibly be injured. Nothing could stimulate production more effectively than what has happened in the motor trade during

1919 and 1920: every manufacturer has a long list of orders, and is able to plan scientifically to meet that demand. A full and effective demand for commodities is even more dependable, since it will continue permanently and can be estimated with practical certainty.

The Economic Motive.

The point has sometimes been raised that a Minimum Income for All raised by a 20 per cent. deduction from all incomes would weaken the Economic Motive. The suggestion is that the Minimum Income would represent such an appreciable proportion of the lower incomes that the attraction of wages will be less effective in producing work, and, secondly, that in the higher incomes (where the Minimum Income is a negligible proportion of the total personal income) the effect of the 20 per cent. deduction will leave such a small margin to be retained out of the whole income earned that here also the profit may not seem worth the effort.

The first of these contentions is partially correct, but its importance should not be

over-estimated. Provided that these people with low incomes are doing any work at all, their interest in wages and profits will be centred on comparisons with what other people are getting, because we have as yet no absolute standard of wage-valuations. Now a man with £5 a week (keeping £4 and contributing £1 to the Pool) will compare his work, conditions, and wages with a man getting £2 10s. a week (keeping £2). And presumably the man getting £5 a week has agreed to this figure because he thinks his work is worth twice the work of the man getting £2 10s.; it will be seen that he would still be getting twice as much, and should therefore be satisfied—obviously £4 is just as surely the double of £2 as £5 is double £2 10s. This logic will apply to all grades, from the wage-earner to the man making half a million profit each year. Double success will bring double return, and will therefore be just as clearly worth working for. The return will be less than at present, but comparisons will not be made with present conditions for more than the first few weeks or months under the new arrangement, they must necessarily be made with other alternatives actually

available to the person making a comparison: between working comfortably—and receiving four-fifths of a small profit; or working hard—and receiving four-fifths of a large profit.

Coming next to the special points as they affect the two separate classes. We have first the poorer persons who may be willing to admit that double effort brings double return *in wages*, but if it does not bring a doubled total income they may not see sufficient advantage in hard work. First let it be doubted whether a man in assessing the value of hard work does seriously admit into his calculations the other factors of his life which constitute part of his total power of consuming. We are not here concerned with a man who may be considering whether to work or not—that question is dealt with elsewhere—but we are simply considering a man who, being at work, is considering how hard it is worth working. Such a man does not say to himself that water is cheap, that policemen, public libraries, and education for his children are all provided free, and that therefore for a very small effort he can earn all he needs. True there are some people who

argue like that, but most people when they are considering their wages or salaries think only of the amount of work done and the price to be paid for it in comparison with other available alternatives. Very few people tend to become satisfied: success never made a shopkeeper less keen to sell his goods.

We have next the class of richer persons in the better salaried positions, whose work is so vastly important in directing the efforts of the larger number of less responsible persons. To these the Minimum Income is a negligible portion of their total income, and the only criticism has been that they might be discouraged by a feeling that the prize of hard work was too much reduced by this additional 4s. in the £ deduction from their salaries. Of course it would be nothing like a 4s. extra reduction of income (because of the amount received back as Minimum Income, the reduction in taxes, strikes, etc.), but the suggestion is that it would make the salary as a salary only four-fifths of its previous amount.

In the first place, the argument used above will apply here again—that double success will mean double reward even if

each is only four-fifths of the amount now received.

In the second place, the deduction will not be seriously felt by any family man below an income of, say, £1,000 to £1,500, so that the criticism only applies to a very small number of persons (less than 2 per cent. of the heads of families) whose motives are by no means so "economic" as is sometimes assumed. I refer to the fact that our present system of distributing incomes is based on the assumption that the amount of a man's income is the measure of his importance and value to the community. Now, without attempting to discuss the truth of that assumption, it may be safely said that men value the larger incomes more because of the success which these incomes bespeak than for the increased spending power which they provide. When all necessaries and most luxuries are within easy reach, the economic motive, simply as a desire for greater purchasing power, ceases to have the same attraction. But it will be noticed that this Minimum Income Pool puts no obstacle in the way of a man earning every penny that he can; the Pool only demands for the general welfare

a share of the purchasing power of these higher incomes. The credit that is due to success will therefore remain, and will call forth the same energy as ever.

Summarizing.—It is claimed that the Minimum Income is the first scheme to be proposed in which there is no advantage to the idler (there will be nothing to be gained by laziness, everything to be gained by working), because earnings will be no bar to receiving the Minimum Income and will be entirely additional. Even the rate of taxation is fixed, so that double earnings mean double takings, whereas under a graduated tax double earnings do not bring a proportionate increase.

Secondly, it is shown that real wages cannot rise more than 30 per cent. until National Production is increased; the commodities to represent such an increase do not exist. Further, it is realized that some changes in wages will certainly result, both upwards and downwards, but the upward tendency will be only among the sweated trades, i.e. where men are producing more than they are being paid for. It cannot possibly take place where men are receiving all they produce, for it is economically

impossible to employ men at wages that are, in real values, above the amount that they are actually producing.

Thirdly, we have seen that the actual amount to be transferred from rich to poor is only £250,000,000 per annum (being 5·5 per cent. of the present National Income), and from this must be deducted nearly £200,000,000 to represent the economies in existing taxation, charities and losses through strikes—economies which will chiefly benefit the richer classes. Also, this change in the distribution of income is to be effected in a way that will augment, rather than hinder, the flow of capital to productive purposes in the staple trades of the country.

Lastly, it is claimed that the Minimum Income proposal will still leave the economic motive and the credit which attaches to success as the chief incentives to productivity.

CHAPTER VII

PRODUCTION IN THE NINETEENTH CENTURY

ALL through this treatise the assumption has been made that increased production is in itself desirable until a higher all-round standard of comfort is possible; it has also been assumed that vital changes must be made in our social system if this greater production is to be achieved.

So much, however, depends on this last point that it seems essential to adduce some incontrovertible evidence that production cannot be depended on to increase without some new policy being introduced. We have been reminded by the authors of *Eclipse or Empire* that America's productivity per head was about two or three times our own before the war, namely, £200 to £300 per worker as against £103 per worker per year in England and Scotland. This may lead some persons to sup-

pose that we have only to imitate America in order to multiply our productivity enormously, but anyone acquainted with the British problem is well aware that our whole difficulty in doing this is a psychological one. How true this is may be judged from the curve shown on p. 105, where it will be seen that the tendency of late years has been towards stagnation in the amount produced per head, in place of the growing rate of increase which had been so marked during the nineteenth century.

A Curve of Productivity per Head.

The figures on which the curve is based are taken from the ordinary sources which are available to the public, but I am not aware that they have been set together in this form previously, except to a very limited extent. They show the productivity per head of total population, not per worker, but for comparative purposes this makes very little difference.

The curve is based on a composition of three sets of figures: (1) National Income; (2) standardized in purchasing value by the index number of prices; (3) and stated

per head of total population in the United Kingdom. The figures were obtained as follows :—

1. The *National Income* is, of course, not an agreed figure, but lists of such estimates as have been made by leading economists occur in many standard works, e.g. *British Incomes*, by Dr. Stamp. If these estimates are plotted on a curve, they will be found to agree to a much greater extent than is popularly supposed. The popular error has arisen, no doubt, owing to the fact that prices and populations are not always taken into account when comparing estimates arrived at on different dates. Some 54 estimates of 19 separate statisticians have been used in drawing this curve.

2. *Prices* similarly are recorded in such a way as to leave room for speculation. However, when all the imperfections of basing the purchasing value of money on the price values of selected commodities (imperfectly weighted) have been taken into account, we are still faced with an agreement which indicates the main tendencies of values. The actual figures used are from an official statement of the Board of Trade in 1903 (No. 321) in which the figures by

Professor Jevons are used from 1782 to 1846, Mr. Sauerbeck from 1846 to 1871, and Board of Trade figures since then. Before 1782 is based on the price of bread. Since 1902 are Board of Trade figures.

3. *Population* figures are of course more easily obtained for the period under review, as there has been a systematic Census every ten years throughout the whole of the country, and these figures have accordingly been used. The earlier figures are from Professor Marshall's *Principles of Economics.*

We can thus arrive at a composite curve showing the progress of the real average output per head throughout rather more than a century, standardized by the purchasing power of a sovereign in the year 1871 (the date adopted by the Board of Trade).

During the war, statistics, as well as conditions, were so rapidly altering, that it seems best not to continue the curve up to date.

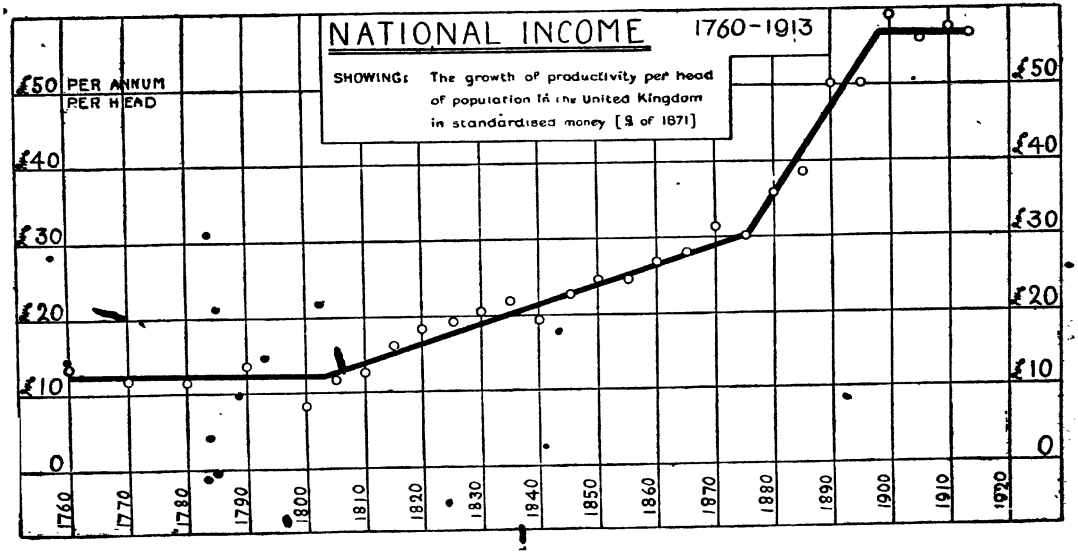
Analysis of the Curve.

Any detailed analysis of the curve would involve much more substantiation of the

Higher Production

TABLE OF NATIONAL INCOME, PRICES AND POPULATION, 1760–1913.

Date.	National Income in Millions.	Prices 1871 = 100.	Population in Millions.	Average Income per Head.
	£			£
1760	125	82	11·7	13·0
1770	150	100	12·9	11·6
1780	190	120	13·9	11·4
1790	210	102	15·1	13·7
1800	225	150	18·0	8·4
1805	320	151	18·4	11·5
1810	400	169	18·9	12·5
1815	445	143	19·8	15·7
1820	450	134	20·0	17·9
1825	470	111	22·0	18·9
1830	500	102	23·8	20·5
1835	510	95	25·0	21·5
1840	520	104	26·3	19·0
1845	540	90	27·0	22·2
1850	550	83	27·3	24·4
1855	620	90	28·0	24·5
1860	750	98	28·8	26·6
1865	850	102	30·0	27·9
1870	960	99	31·2	31·1
1875	1,090	110	33·0	30·0
1880	1,220	100	34·5	35·3
1885	1,280	92	36·0	38·5
1890	1,490	80	37·5	50·0
1895	1,530	78	39·3	50·0
1900	1,800	75	41·1	58·8
1905	1,800	75	43·0	55·7
1910	2,050	80	45·0	57·0
1913	2,220	85	46·0	56·5


NATIONAL INCOME 1760-1913
SHOWING: The growth of productivity per head of population in the United Kingdom in standardised money [£ of 1871]
£50 PER ANNUM PER HEAD
£40
£30
£20
£10
0
1760
1770
1780
1790
1800
1810
1820
1830
1840
1850
1860
1870
1880
1890
1900
1910
1920

data than is possible here, and would also necessitate a fairly complete historical survey of the period, as well as of the preceding century. But it is possible to glance at one or two main points, as follows :—

The points of the curve do not lie on a smooth line, largely as a result of the rapidity with which prices fluctuate, nor is it very likely that production has changed in the exact ratio shown. Therefore, and to simplify the discussion, the curve has been indicated by four straight portions, roughly corresponding to the main features of the curve.

First Period, 1760–1803.—This portion of the curve is nearly level, indicating that production during this period was at a standstill. Watt was busily perfecting his steam engine and applying it to industrial purposes, which meant improved output per worker in those industries; but the hatred of machinery, together with wars, and other destructive influences, were preventing this great invention from coming into its own as a national asset.

Second Period, 1803–1876.—Trade, however, began to boom about 1800, undeterred by Napoleon's Berlin Decree, and continued

to give scope to the great powers of steam till by 1876 the productivity per head of the population had risen to £30 per year—nearly three times that of 1760. There were booms and slumps during this period—e.g. the feverish trade activity before the Great Exhibition of 1851 followed by a serious reaction for nearly a decade, which was augmented by the war with Russia—but on the whole the rise in productivity was sustained throughout the period.

Third Period, 1876–1895.—During this period the rapidity with which output per head increased became even more phenomenal. In the second period the increase had been from £12 to £30 per head in 73 years, i.e. equivalent to doubling in 60 years. In this third period we find an increase from £30 up to £54 per head in 19 years, i.e. equivalent to doubling in 25 years, or more than double the rate of increase in the earlier period.

The figures for the earlier period (up to 1870 or so) are intentionally taken less seriously than the later figures, as the number of estimates of National Income, their accuracy, and the accuracy of price estimates are all less reliable. But from

1871 we have the carefully weighted estimates of price changes provided by the Board of Trade, and 20 out of the 26 estimates of National Income used are for the period after 1860, not including a carefully computed series of 20 results from 1894 to 1913 by H. G. Williams (reported in the *Industrial League Journal*, September 1919). Everything leads us to expect greater accuracy in this later period, not to mention the remarkable way in which the five points on the curve agree in themselves.

The suddenness of the improvement is no doubt largely attributable to the great stimulus received by our trade as a result of the war between Prussia and France, 1870–1, and to the enormous extension of the use of machinery purchased with savings accumulated in the earlier period.

Fourth Period, 1895–1914.—Then after a century of abounding prosperity, in which the productivity has risen in 92 years from £12 to £54 per head, there comes a sudden and remarkable change. Possibly the Boer War accounts for the actual fall in productivity in 1900, but no check, started by a small war in far South Africa,

can account for the full-stop to which productivity seems to have come at this point. So that in 19 years the increase per head is only from £54 to £56 5s., i.e. 6 per cent. as against 80 per cent. in the previous 19 years.

In confirmation of this extraordinary break in the continuity of the curve, it is interesting to note that H. G. Williams even shows a *fall* of 3 per cent. per head in the period 1899–1913. This is the more convincing since his whole series of estimates of the National Income is arrived at by the same method and by the same investigator. A similar phenomenon is referred to by Professor Bowley in *Changes in the Distribution of Income.*

To explain a change of such magnitude we must look to deeper causes than a mere war in South Africa, nor is any great knowledge of history involved. Along with the advance of mechanical science has come the gradual spreading of knowledge to all classes of the community. Elementary education, subsidized progressively all through the century, became compulsory by stages from 1870 to 1880. The penny newspaper, first attempted in 1830, became an accom-

plished fact by 1881. The franchise and increasing powers of Local Government both contributed to a diffusion of the sense of responsibility for matters of general welfare. These and many other influences all added their quota to an atmosphere in which new ideas grow quickly, and the ideas were not lacking. These new ideas could not bear fruit in a decade, but it will be noticed that the cumulative effect was bound to be precipitated about the end of the century, even though some of the protagonists lived, wrote, and died at dates ranging from 1860 onwards.

Marx (with *Das Kapital* in 1867), Ruskin (*Unto this Last* in 1867), Bellamy (*Looking Backward*, 1887), Morris, Bakunin, Tolstoy, Shaw, and a host of other theorists; the "International" (first effectively meeting in 1889), the Fabian Society (founded 1883); Charles Booth (1886–93), the Commission on Labour Conditions (1901), Rowntree's *Poverty* (1901), adducing their inexorable facts; all these, and even such apparently irrelevant ideas as were propounded by Darwin and other scientists, forced men to challenge the old order and to question to what purpose they lived and toiled.

This is no place to discuss the good or bad that all this means to the world, nor are these pointed questions consciously in the minds of all the workers; yet the cumulative effect of so many tendencies all in one direction, with pomp and wealth ever before the eyes of the poor (particularly since the advent of motors), has resulted in a wave of unrest—stopping further increases in productivity, and threatening worse things. Strikes, almost unknown till 1830, recurring in 1850 and 1889, rose suddenly in 1893 to an aggregate of 30 million days lost in one year and continued at an average of over 5 million days per year up to 1909, since when the figures have been :—

In 1910		10 million	days lost
1911		10 „	„ „
1912		41 „	„ „
1913		11 „	„ „

Surely no further evidence is necessary to convince us that we cannot proceed exactly as before. Productivity involves confidence and goodwill between the contracting parties; if, therefore, we wish to see a growing productivity, we must under-

mine suspicion by a tangible pledge that all classes will actually share the benefits of greater National Income; and we must undermine the fear that men have of working themselves out of a job by securing that livelihood, at all events, is not endangered by unemployment. This latter is the most important as well as the most difficult to do, and it is claimed that the Minimum Income proposal is the only way of accomplishing it without passing over into the worse terrors of pauperizing the recipients and undermining existing incentives.

In considering the effect of the Minimum Income on this curve of productivity, observe that there is nothing rigid about the figures suggested for the initial experiment: some persons will want to start at 10 per cent. of all incomes, others will prefer 25 per cent. Such a point must finally be settled by the House of Commons, but it is necessary to remark that the sum must be chosen so as to avoid two dangers:—

1. On the one hand, if the proportion chosen is too large, the temptation to live on the Minimum Income without additional wages will be increased, although it would need to be very large indeed before it became

a real menace to production. The tendency would more probably be for production to fall temporarily and then to rise very rapidly.

2. On the other hand, if the proportion is too small, there will not be a sufficient break with the present insecurity, fear, and suspicion; therefore we shall not be liberated from our present deadlock. This would mean that the existing tendencies of the curve would not be greatly altered.

Our problem will thus be to select a proportion of the National Income which will result in an upward bend of the curve, without a temporary fall due to applying the remedy too rapidly. This happy medium should not be difficult to select.

CHAPTER VIII

A BUSINESS PROPOSITION

IN order to be able to sum up the whole case in the form of a business proposition it will first be necessary to recapitulate one or two points. The scheme outlined has been shown to make demands on the incomes of the rich, in a way that cannot be recouped simply by raising prices. If this were possible, it is reasonable to suppose these prices would be raised now, without waiting for the excuse of such a scheme. Nor is it likely that any tendency to raise prices will result from the introduction of the Minimum Income scheme, since it expressly relieves Industry, as such, of two distinct charges (the maintenance of families and inefficient workers), and is in no way a direct charge on Industry (as is the case with a wage increase).

Against the cost of the scheme to indi-

vidual rich persons is to be set the savings in existing expenditure and the estimated increase in National Output—an estimate which is based chiefly on the belief that production is hindered by ps. obstructions, rather than by any in. of Nature to provide the material, or kind to provide the strength and bra.. It must be granted at once that the improvement in production will therefore be slow: you cannot remove in a day the theories which have led to restriction of output. But this is also an argument for proceeding at once, since every day that we continue, under a system of which it is possible to preach that the work of each is a disadvantage to every other, is hardening the working classes to demand a "clean sweep"—a doctrine that is too simple and fascinating to be ignored.

In Chapter I production was considered from a fundamental standpoint. It was indicated that, of the two partners (Nature and Man), the former makes a provision of raw materials and climatic conditions which is a fixed quantity, and is therefore not further discussed. This treatise, being concerned only with such agents of pro-

duction as can be controlled or affected by legislation, is thus devoted to the Human element. There is also a contribution to productivity from the accumulation of the results of the combined efforts of Nature and Man in the past (which we call Capital), but the rights and wrongs of who should own this Capital, and why, are ethical questions and are therefore not entered into. The only reference to this side of the question is in Chapter VII, where it is indicated that a better distribution of income will, to some extent, improve the channels through which investments are made.

The Human element can be affected by legislation, or other social pressure, only as it affects the Capability, Willingness, Number and Freedom of those at work. These sections are dealt with seriatim, but it should not be necessary to recapitulate under these headings. Instead it is proposed to review the effects on production of introducing the Minimum Income proposal, by grouping the anticipated results under natural headings, i.e. under headings which spring naturally from the obvious qualities of the scheme.

Enumeration of Effects on Production.

1. *Health.*—The fact that the scheme proposes a minimum income below which none can fall will soon improve the health of the nation, because it will prevent that dip below the poverty line which occurs in the life of nearly every working-class family while the number of children is at a maximum and before they begin to earn. This affects the health of the parents and their work *now*; it also affects the health of the growing generation and the education which it is possible to give to the children.

2. *Security.*—An increase in security will bring about psychological, rather than physical, changes. It will enable the idle to do no work (till their neighbours, in the interests of the Common Pool, take the matter in hand), and may reduce the amount of work done by those who are satisfied with their present standard of income. But the removal of the idle and unambitious persons from the pretence of doing work is a help to the productivity of those who remain. Also it must be remembered that it is chiefly single persons who tend to be satisfied with their present standard of income and very

few of these will be made richer by the scheme.

In addition much space has been devoted to a comparison of this scheme with doles, pensions, and other pauperizing influences, in order to show that the Minimum Income, because it continues during employment, would actually strengthen existing inducements to work.

We have also to remember that sudden changes in income are a fruitful source of irregular habits, whilst any approach to regularity of income and general security has a tendency to promote steadiness, hopefulness, thrift, and healthful absence of worry and fear.

Fear of unemployment is, in fact, so important, that it must be banished before any real progress can be made in the mobility of labour, with its effect on the choice of occupation and fitness for the work selected. Fear is also the greatest possible obstacle to greater production, through the feeling that greater speed may finish a job too quickly and result in a period of unemployment.

3. *Simplification of Charities.*—The necessity for many charitable institutions having

been done away with, there should be a great reduction in the number of State regulations, interferences, etc., all of which hamper Industry. Many persons who are now engaged in the profitable, but unproductive, occupation of begging will be compelled to find work if they wish to have incomes which approach their present scale. The writer has counted as many as sixty contributions in twelve minutes paid into the cap of a couple of well-known figures churning a small musical box in a public street. There were no halfpennies visible in the cap, so that this represents no less than £60 for the two persons on a 48-hour week! Surely a very high price for the community to pay for such ineffective work.

4. *Breaking the Vicious Circle of Wages and Prices.*—Nothing is more disastrous to industrial development than irregularity of conditions: prices soaring, wage conflicts, markets uncertain. Markets can be improved as shown in Chapter V, and to break the circle for wages and prices is not so hard as might be supposed. Hitherto there has been a growing attempt to make wages carry the burden of three distinct national costs which have no bearing on wages,

since they bear no relation to output. Wages should be governed solely by output, but if the community is concerned for the welfare of (1) families, (2) unemployed, (3) inefficients and disabled men, then proper funds should exist for the maintenance of these persons. The Minimum Income proposal avoids the complication of finding out each individual case and separating it from the whole, by establishing a minimum income which would prevent (1) any child, (2) any unemployed person, (3) any person incapable of earning a full wage, from becoming destitute. Wages would thus be freed to deal only with productivity, and once the plea has gone that "a man can't live and keep a family on that wage," there will be fewer cases where wages are raised above the amount earned, which at present only means that prices are raised simultaneously.

5. *A Better Distribution of Incomes.*—No suggestion has been made that one man is as good as another, nor that incomes should be equal; but it is clear that the scheme would reduce the tremendous disproportion of incomes at present existing: a few getting over £200,000 per annum while the great

mass get less than £200 per annum or 1,000 times less. The removal of a part of this disproportion would reduce the suspicion that labour has, that greater production is only advocated in the interests of the very few. When it is clear that higher production is advocated in the interests of all, it will be easier to make every one interested in greater national efficiency in a personal way.

How far it is too late to stop the strike fever no one knows, but the Minimum Income proposal would remove much suspicion about the sharing of national prosperity and would make strikes unpopular, since the share coming into every home would be directly reduced by the absence of contributions from those on strike, locked out, or unemployed as a result of either contingency.

It is also claimed that more money in those poorer homes where there are big families is not all evil (unless it results from paying higher wages than are earned and so causes a rise in prices and an age-long continuance of the vicious circle). The advantage lies in the fact that more money in the larger families must mean more

expenditure on necessities, and these again are largely home products and form the staple industries of the country. Any improvement in the amount and regularity of demand in these commodities will assist the whole stability of British Trade.

6. *The Conscious Corporate Aim.*—Again, what has been said with regard to labour suspicion about the increase of production is partly true of the whole nation. We may not have national objections to greater productivity, although in all classes there is a certain amount of jealousy about other persons or firms "getting the job"; and at best we are inclined to believe that what others do benefits them only. But undoubtedly, if we do not object to others working, we have no positive national bond through which we all see and know the tremendous advantage it is to every one that every one should do the maximum. There is nothing like the conscious corporate aim, which was the mainspring of so much hard and productive work during the war. Whereas if every man, woman, and child, were to receive his or her share of national productivity, from a National Pool, then this energy and co-operation

could be repeated. It does not matter if the share is small, so long as it is definite, proportionate to the national prosperity, and tangible: something (like money) which can be touched, used, and appreciated.

When 45 million persons desire the Minimum Income Pool to be as great as possible, it will surely not be long before machinery, science, dilution, women, and partially disabled persons are allowed to take their full share in productivity.

It is essential to kill the fear of unemployment if men are to be induced to work hard, and this must be done without killing initiative, as hitherto. It is no less important to secure that 45 million persons shall agree to want greater production, and that can only be done by some such plan as a bonus on National Output.

A Venture.

Every business man knows that "He who waits till all is proved, never makes up his mind." You cannot advance without risks; you can only consider the probable gains and losses, make up your mind, and take the plunge. It is suggested that this

Minimum Income scheme offers no greater risks than every successful business man is bound to take from time to time. The risk may be great, because the proposition is so vast; but the problems are also great and press for solution. The present system of Industry may have worked fairly well in the past, but he must be blind who cannot see that semi-education, and doctrines of socialism growing amid the undoubted evils of poverty and mal-distribution of wealth, make a continuance on exactly the old lines impossible. This is not an argument for socialism, but it is proof that we must act boldly and quickly.

The Cost.

To the Nation:

£6,000,000 per annum (for collection and distribution).

To Industry:

A small change in the cashier's office.

To Individuals:

A tax whose incidence is governed by three simple factors in such a way as to produce smooth graduations and a minimum

of cost to all classes. These three factors are:—

1. A nominal flat-rate tax of 20 per cent. on all incomes.
2. A uniform income of about £20 per head to every individual in every family. By this means 87 per cent. of the population will receive more than they pay under No. 1 above, and the tax on the rich 13 per cent. of the population will be smoothly graduated.
3. The consolidation of a hundred and one demands on income into one simple pooling device, whereby something like £200,000,000 per annum of the present taxes, subscriptions, etc., will be made unnecessary, and so further reduce the amount lost by the rich 13 per cent. of the population.

Thus the net financial cost will be small.

The Gains.

1. A very considerable reduction in industrial unrest.
2. An increase in production.

If this reaches so little as 25 per cent. and if the advantages are distributed in proportion to present incomes, it will leave absolutely every individual better off than he or she is at the present moment.

If this is the prospect, is it not worth investing so small an amount of income (not capital) with the chance of reaping such benefits? It is so simple and requires so little new legislation that if it fails it can be dropped after a brief trial, and it is not as though we could depend on the old system to produce slow, though steady progress. *The old system is bankrupt, and our future progress depends on the choice which we make from the many experiments in social change which are proposed.*

Some experiments are too small to do much, such as Minimum Wages and Maximum Hours; other proposals, such as the Nationalization of every important industry, or a complete Revolution on the Russian model, most of us would agree to be altogether too big as experiments. Between stagnation on the one hand and revolution on the other, the Minimum Income pro-

posal is advanced as a compromise at once bold enough to reach the roots and yet conceived on such a plan as to use all our existing capital of machinery, knowledge, and initiative to the best advantage. The abolition of extreme destitution as a force in our midst must do much to bring reason and reasonableness into industrial disputes. Some people glory in what they call "a divine discontent," but, after a period of upheaval such as the war has meant, it is surely no heresy to plead for a scheme that will make the path of all classes smoother, surer, and more unified.

Thus in this scheme we have an attempt to get rid of bitterness, fear, suspicion, and unrest; and with 45 million people receiving a bonus on National Output, we surely have the key to a national interest in National Welfare.

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